



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

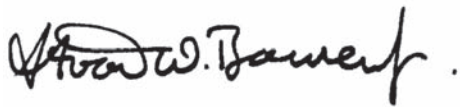
This 18th Quarterly Report to the Congress provides a new look at the relief and reconstruction effort in Iraq, presenting a province-by-province review of progress on reconstruction and capacity-building in four key areas of concern—economics, essential services, governance, and security. This new review catalogues a series of informative snapshots on the achievements and challenges affecting each of Iraq's 18 provinces.

The United States has now appropriated more than \$50 billion in taxpayer dollars for Iraq's reconstruction. The picture of provincial progress in Section 2 further amplifies how that money has been spent, updating the markedly mixed story that SIGIR has unfolded over the past four-and-a-half years through nearly 250 audits and inspections. Section 2 also breaks down the use of U.S. funds through the major accounts supporting Iraq reconstruction: the Iraq Relief and Reconstruction Fund (\$20.86 billion), Iraq Security Forces Fund (\$17.94 billion), Economic Support Fund (\$3.74 billion), and Commander's Emergency Response Program (\$3.49 billion). SIGIR's reporting jurisdiction covers each of these funding streams.

Progress on the Year of Transfer continued this quarter, with the most notable developments being the end of the Surge and the continuing growth in Iraq's oil revenues. The last of the five U.S. Surge brigades has drawn down as Iraqi security forces have increased their capacity to take responsibility for providing protection across Iraq. Another province, Qadissiya, transferred to Provincial Iraqi Control this quarter, leaving eight awaiting transfer. The Multi-National Security Transition Command-Iraq reports that Iraq's Ministries of Defense and Interior continue to shoulder more of the financial burden for supporting the operations, training, and equipping of Iraq's security forces. Iraq's burgeoning oil windfall, which has yielded more than \$33 billion in revenues to date in 2008, has prompted the Government of Iraq to pursue a supplementary budget this summer, which means that potentially \$7 billion in new funds could soon be budgeted to further support the country's continuing reconstruction program.

Section 3 of this Quarterly Report contains summaries of SIGIR's seven new audits and seven new inspections. On the audit front, SIGIR produced two more reviews of large Iraq Relief and Reconstruction Fund contracts, the latest in our focused financial audit series. Our audit of FluorAMEC's cost-plus contract for work in Iraq's water sector found that much less was accomplished under the contract than expected because the funding for the water sector was greatly reduced and sector projects were significantly more costly than anticipated. Our review of the security and justice contract issued to Parsons Delaware, Inc., found that only about one-third of the planned projects contemplated under this contract were completed and that millions of dollars in waste were likely associated with incomplete, terminated, and abandoned projects. Our audit team also reviewed the U.S. Embassy's anticorruption program, finding that much remains to be done to support Iraq's fight against corruption. And they reviewed the Iraq Reconstruction Management System, an important project-management database, finding that it requires significant updating. SIGIR's inspections this quarter include an assessment of the failed prison project at Kahn Bani Sa'ad. As that report reveals, more than \$40 million was spent on this ill-fated project, but its abandonment leaves no apparent prospect of being completed.

I am pleased to report that SIGIR's hard work was meritoriously recognized this quarter by the President's Council on Integrity and Efficiency. Specifically, SIGIR's audit team has been slated to receive a special award for outstanding performance, and our inspections team will receive a special award for its excellent report on the Mosul Dam project. I am gratified that SIGIR's efforts have been so recognized and remain proud of the professionalism, productivity, and perseverance that the SIGIR team continues to demonstrate in carrying out our unprecedented mission in Iraq—oversight under fire.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." followed by a period. The signature is written in a cursive, flowing style.

Stuart W. Bowen, Jr.
Special Inspector General for Iraq Reconstruction